Before a factory is built decisions have to be made as to which will be the best site for its location. It is unlikely that a site will have all the desirable advantages as listed below so a decision is made on the site which contains most of the listed factors. It comes down to which site will generate the most profit, where costs are minimized and where there is a large market for its product. The decision may also be affected by government policies.

Physical Factors

* Raw materials - the factory should be near to the source of its raw materials
* Power - energy - this is needed to work the machines in the factory. Early industry needed to be sited near to fast-flowing rivers or coal reserves, but today electricity can be transported long distances
* Natural routes - river valleys and flat areas were essential in the days before the railway, car or lorry
* Site and land - although early industry did not at first take up much space, it did need flat land. As the size of plant increased (e.g. steelworks), more land was needed. Ideally such sites should be on low-quality farmland where the cost of purchase is lower. Last century many sites were in today's 'inner city' areas whereas now they tend to be on edge-of-city 'Greenfield' locations (areas of undeveloped land in a city or rural area).
* In the 19th century it was physical factors such as the source of raw materials (e.g. iron ore) and sources of energy (e.g. coal) which determined industrial locations

Human and economic factors

* Labor - this includes both quantity (large numbers in 19th century factories) and quality (some areas demand special skills as technology develops).
* Capital (money) - early industry depended on wealthy entrepreneurs. Now banks and governments may provide money
* Markets - the size and location of markets have become more important than the source of raw materials
* Transport - costs increase when items moved are bulky, fragile, heavy or perishable
* Government policies - as governments tend to control most wealth, they can influence industrial location
* Improved technology - examples are fax and the internet
* Leisure facilities - both within the town and the surrounding countryside, leisure activities are becoming desirable.

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